



Department for
Business, Energy
& Industrial Strategy

NATIONAL MINIMUM WAGE AND NATIONAL LIVING WAGE

Government response to the Low Pay
Commission's Autumn 2016 report



November 2016

Introduction

The government is committed to delivering an economy that works for all by spreading wealth and prosperity more evenly across the country. A society that works for everyone is one of fairness and opportunity. Through the National Living Wage and National Minimum Wage, the government is ensuring the lowest paid receive their fair share of the gains from economic growth.

The fundamentals of the UK economy are strong and our economy continues to grow. GDP growth was 0.5 per cent in Q3 2016, above market expectations, and the economy is currently 8.2% larger than its pre-crisis peak.

Furthermore, the UK's labour market has continued to perform robustly, with a record employment rate of 74.5% and an unemployment rate of 4.8% which is the lowest since 2005.

The introduction of the National Living Wage in April 2016 marked a significant increase in the wage floor for those aged 25 and above. It meant a 50p increase compared to the adult minimum wage rate at the time, and consequently a full-time low-paid worker, working 35 hours per week, earns around £900 per year more than they did before.

Similarly, increases to the National Minimum Wage for workers under the age of 25 have continued to improve the pay of low wage workers without damaging their employment prospects. Overall, in the three months to September 2016 real wages grew by 1.7%, marking the twenty-fourth consecutive month of real wage growth.

Over 1.5 million hard-working people across the UK have already directly benefitted from the introduction of the National Living Wage, and even more workers will benefit as we make our way towards 2020. On current forecasts around 3 million people are expected to benefit by 2020. Furthermore, up to 6 million in total could see their pay rise as a result of a ripple effect up the earnings distribution.

The government is building on this success by announcing increases to all five rates at which the National Living Wage and National Minimum Wage are paid. These above inflation increases are due to come into effect from April 2017, subject to Parliamentary approval.

Recommendations from the Low Pay Commission

The main recommendations put forward by the Low Pay Commission concern the rates at which the government should set the National Minimum Wage and the National Living Wage from April 2017.

The Commission has recommended that:

- The rate for **21-24 year olds** of the National Minimum Wage is increased from £6.95 to £7.05;
- the **development rate** (18-20 year olds) which covers workers aged 18-20 years old is increased from £5.55 to £5.60;
- the rate for **16-17 year olds** is increased from £4.00 to £4.05; and
- the **apprentice rate** (for apprentices aged under 19 or in the first year of their Apprenticeship) should increase from £3.40 to £3.50.

It is recommended that these changes take place from 1 April 2017.

The Commission has recommended that the **accommodation offset** increases from the current £6.00 to £6.40 from 1 April 2017.

The Commission has recommended an increase in the **National Living Wage** from £7.20 to £7.50.

Government response

The government **accepts** all of the rate recommendations. The government intends to lay implementing Regulations before Parliament in due course, in order that the new rates are effective from 1 April 2017.



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